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ECONOMIC DEVELOPMENTS IN INDONESIA

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ECONOMIC DEVELOPMENTS IN INDONESIA

The following are translations of articles from
Marta Ekonomi (Economic News), Djakarta.

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SOME THOUGHTS ON THE ORGANIZATION OF INDUSTRY IN WELCOMING
THE FIRST CONFERENCE ON NATIONAL INDUSTRY IN DJAKARTA

/The following is a full translation of an article
in Parta Ekonomi, Djakarta, 20 February 1960, page 103 and
179-181./

Foreword.

Holding a conference to discuss industrial matters is a very wise action. It has been felt for a long time that it is necessary to have an open discussion for seeking solutions to various industrial problems. As a field of production that satisfies the needs of community, industry should necessarily be adjusted to the situation of the community as well as to the policy of the Government. After the emergence of the concept of Guided Economy, the urgency for such a conference is more deeply felt.

For this reason the "Gaperi" - Indonesian Industrial Association - welcome the conference cheerfully.

Although the conference, which for the first time was held at the beginning of November 1959, is not yet able to cope with all problems, and as a first step will try only to bring some order into the structure of industrial enterprises. Nevertheless the Indonesian Industrial Association considers it of such a great importance that all parties concerned should give it their full attention.

With this understanding in mind the Indonesian Industrial Association would like to express its view on the above mentioned order in welcoming the conference. There might be some valuable material in this view and if there is, it could be used in solving different problems, so that the conference might be very much facilitated, and the conferees better prepared.

It is the hope of the Indonesian Industrial Association that this first conference might be able to find solutions that are useful for paving the way ahead.

The Indonesian Industrial Association

The Character of Industrial Regulations in Indonesia

The rapid emergence of Government and private atten-

tion towards business regulations in Indonesia is an event that is congruent with the Indonesian socio-economic development in the last few years. It is not surprising if there are many differences among views on the matter.

In some foreign countries much time was also needed before they came to practical solutions. It is not necessary to present these different views here. They are the results of different social attitudes based on a different life and social philosophy.

It is more useful to describe the reason why in Indonesia we also need business regulations, based on our knowledge of developments in other countries.

Whether foreign developments and considerations are applicable to our problems, it is necessary to consider important differences between those countries, differences in the motives for, and causes of, business regulation. In this case what Keynes said in his consumption theory is valid: "The strength of all these motives will vary enormously according to the institutions and organizations of the economic society which we presume, according to habits formed by race, education, convention, religion and current morals, according to present hopes and past experience, according to the scale and technique of capital equipment and according to the prevailing distribution of wealth and the established standards of life."

This case has more validity, because Indonesia has not experienced business or industrial development; has not known any ideological and social conflicts, and also has not had experience with conflicts emerging from the process of perfecting a modern social grouping as has been known abroad. Motives and causes that lead to business regulation in Indonesia are quite different from what they have been in the Western world in general.

For this reason, before we consider the regulation of business in Indonesia, it is very necessary first to pay attention to these motives and causes.

It is not our intention to discuss this problem in detail and search for its practical solution; nor to explain different concepts which might be considered as well-known already, although there might be some danger for misunderstanding.

It is also not our intention to magnify any confusion on this matter of regulation, but only to present some hints based on the basic concepts of business regulation in general, and on regulation of industry in Indonesia in particular.

The Development of Social and Economic Life in Indonesia

Causes that lead to the regulation of industries must be sought in the socio-economic development and in the development of social relations and in the kind of economy that has emerged from it. These social relations actually constitute the basis of the shift to regulated business activities.

These causes must be searched partly in foreign systems and views that have penetrated Indonesia (external causes), and partly also in the events in our own society (internal causes).

There are also mixed causes where foreign influences could be indicated. In this way, the important social economic motives and causes could be specified as follow:

1. The failure of individualistic capitalism

In its original form this has had not much influence on Indonesia and has left only some incidental marks, but although it had been restrained by social forces and although it has some affinities with the character of Eastern plutocracy, it has nevertheless had some effects on our society. Furthermore, the modern Indonesian business world shows some strange neo-capitalistic phenomena among them those who take advantage of this new situation and make capital out of it.

2. The development of new economic concepts in the Indonesian community is related to the increase of methods of obtaining means of satisfaction of human wants. Social, economic and cultural influences induce a rapid development of the Indonesian community in the modern sense, so that the quantity as well as the quality of elements of wants has increased much faster than in the Western World; this development has been taking place for several decades.

3. Dualistic phenomena in the community and in the economy, as consequences of a tension between ethnic groups and a modern community which is based on group interest will destroy a proper socio-economic relationship without giving any solution to it.

4. The decline in national income, resulting from internal and external causes, on one hand and the increase in Government expenditure, and the living standard that has also increased in its quantity as well as in its value, on the

other, have causes a perpetual deficit in Government budgets and insufficiency in necessities.

5. The imbalances in imports, production, distribution, and consumption as a result of shortages of materials, technical equipment, transportation, skills, etc., bring into commerce unwanted events that destroy common interest.

6. Many modern financial-economic institutions as strongholds of modern societies, do not yet bring about a good understanding and appropriate responses from the population, so that several kinds of mistakes are made.

These socio-economic causes which necessitate regulation of business activities could still be added to with several others, but for the sake of its conciseness they are omitted.

Modern Society

The rapid change in the original form of the society into its modern form, brought with it basic changes in social relationship, so that there have emerged some revolutionary social phenomena and social psychological reactions the consequences of which can not yet be discovered. Social relationship which in the Western World covers the whole society developed gradually during the last centuries, so that it has become a unity which is now called "modern society" in Indonesia, actually when it has taken this form for a few decades mostly through individuals that have only imitated on the surface rather than have developed a conscious realization of that society.

That the Indonesian nation after achieving its independence tried as soon as possible to catch up on its social backwardness relative to other nations, is a very encouraging thing. But there are many who see in this our opportunity and use it for their own interests. The consequence of this attitude could not be more saddening, and it makes the problems more complicated.

These problems, as social phenomena, could be brought forward as follow:

1. Original tribal and racial groups with their tight social and traditional bondage are no longer attractive to many people who have been made to see the possibilities of modern society.

They withdraw themselves from the old groups and come together in new interest groups which give them more possi-

bilities for accomplishing their new ideals. The process of dissolution of traditional groups keep going on, although in modern society they still have in their mind the memory of traditional relationships with the tribal groups and with mutual aid among the members of the groups and they try to hold to the tradition and the bondage in the regions of their origin.

2. The concept of collective interest of the community vanishes as soon as they move into modern society and it is replaced by different kinds of interests: individualistic interest which is sought in individual isolation and which has a negative social character; private interest which emerges in the relationship of interest groups, and which form groups of social, political, cultural and economic interests; group interest which has a collective character in a limited bondage; national interest which is concerned with the nation as a unity.

But what is usually disregarded is the common interest which replaces the group interest in a modern society and which is connected with the relationship between interests of a few groups and the interests of the society as a unity.

But this concept has a relative rather than an absolute character, which means that it covers the whole of society and not the individuals or groups separately.

Especially this last concept is the one which has never been thought about by those that have moved into modern society because of the struggle for life. But we could also say that there is no place for this in a liberal capitalistic society and that that concept was only recognized in the field of social thought for the last few years.

In modern society there are many conflicts between private and public interest which reflect the insufficiency of social consciousness and understanding in coordination with other private interests, so that they actually emerge as individual interests.

3. The perpetual perfection, specialization and differentiation in modern society widen the gap between individual and group interests in such a way that the society becomes very complicated and almost impossible to control and to keep it in balance. Certainly not by those whose thoughts are always concentrated on personal interests.

Modern State

The government must take care of the welfare of its population in a certain territory. With the public welfare as a starting point, the government regulates balances of

interests in a modern society.

In this case, the government acts primarily as a guardian of public interest. The complicated structure of modern society burdens the government with many problems:

1. Although monetary power very often has become the goal of liberal capitalism, the growth of democratic consciousness that requires equal rights for every man has rather become the source of conflicts between different interest groups rather than the source of agreement. Different regulations and laws that were established to secure balance in private interests and to give to the public interest some of the individual rights are the consequence of it, so that a modern state shows a very complicated and dynamic character.

2. The growth of social consciousness in society gives additional tasks and duties to the state for sustaining balances in so many social interests, so that its interference has spread into every direction, and we are compelled to say that within a short period the task of a modern state has become very heavy.

For this reason where private interests could be considered as serving public interests, the state can be freed from some of its burdens. However if they are insufficient, the subsidiarity principle of the state must be able to fill it in. But if they are still inadequate or considered as not being able to overcome those interest complexes, then the state must take the leadership if the public interest demands it to do so.

3. The States' view on different proportions and rights of interest elements determines the character of its tasks; in performing this task the state should not commit itself to any private interest, so that as a third party the state is always able to defend public interest objectively.

4. Because of the complexities and of so many varieties of interests it seems that state integration is very necessary for preventing negligence in fulfilling public interests. Quite often private interests must give way to public interests, but in a democratic state they must always be recognized and never be abolished.

5. Complexity of tasks of a modern state, difficulty in reaching for harmony between different interests, perpetual conflicts between the liberal capitalistic and the social democratic way of thinking, development of social intercourse in a modern society and also the unbalanced development in private initiatives which is sometime left for quite a long time, force a modern state to have a very

rigid administrative structure. In a democratic state this will lead to a complex of systems, where the authority of the state is more in the foreground, yet without abandonment of private interest; and this is called guided democracy.

The Significance of Industry for Society

In the original capital - economic structure, industry has its own goal, and this goal is already very extensive even though it is limited to its own economic interest. It covers the improvement of welfare of the owners of industrial enterprises, improvement in equipment and technical know-how, the increase in mass production, distribution and very often also the concept of exchange.

Because of social changes these concepts are gradually widened at the time when the capital of enterprises becomes a problem to the society because of the rise of the concepts of corporation system, and participation of banks or Government loans; competition becomes an important problem, so that great attention should be paid to the activities of others, and distribution really becomes a problem of marketing (middle man, transportation, finance, etc.)

Then after a long time the whole society becomes eventually involved in the industrial process, and consequences of consumption change, economic concepts are reviewed and reformulated in terms of aggregative social phenomena which are the result of human activities that are directed towards satisfaction of wants.

This means that:

1. Although it seems more desirable to limit industry to its economic significance, and although it seems that it stands alone, in fact the economy itself is only a certain aspect of social inter-relationship between human beings.

2. Industrial significance can only be seen as an intermingling of interests of private individuals and the society as a whole.

3. In fact industry produces goods to meet the needs of the society that are real or that are considered as necessary. "Industrial enterprises exist in order to provide something directly or indirectly for the benefit of the citizen-consumers" (Brecht, Principles and Practices of Management).

The balance between income and spending is actually a problem of modern industry, but in Indonesia we can see that:

1. the industry is not at all adjusted to the needs of the population:

2. it is still at the beginning phase of development:

3. while the volume and the level of the needs of the population that are adjusted to the modern way of life they are increasing much faster than in the western world.

These problems are very wide (capital, leadership, equipment, technical know-how, skilled labor, marketing, retail trade etc.) and are very much interwoven with other social problems, so that it is regarded as impossible to leave them to private initiatives. The time for experiment is too short and too expensive. For this reason its solution should be sought in the government who takes care of common interests; but private interests which in many cases have to give way to the public interest must still be sustained and recognized although in the form of compromises. So it is obvious that it would be very irresponsible to leave industrial adjustment and regulation in the hands of private enterprises without government supports and guidance.

Economic Planning and Economic Control

In connection with the development of thinking in the field of social economy, the existence of complications in modern society and the problems of industry and consumption, it is considered that:

1. industrial problems are the interest of the whole society, although individual interests must be recognized;

2. these problems are very complicated, so that they cannot be solved by the private entrepreneurs only, although in this field they might be experts in practical execution;

3. for the government it is no longer sufficient to use subsidiarity principle as a basis for extending facilities in the form of support, subsidies and advice to business enterprises, but must also act actively in regulating the supply of necessities for the society. Especially in Indonesia this problem is very difficult and wide because of the character of transition to the new society, although the initiatives and supports from the parties concerned are primarily needed;

4. it is impossible to separate the economic field from the social field, so that this problem becomes more difficult and more indistinct for individuals and groups.

But the most important conclusion is that the industrial problem in Indonesia can only be solved through planning and control which can be brought about by the Government and its agencies; this is inevitable if planning and control should be accurate and economical and at the same time give the assurance for sufficient supply of domestic

needs; in this manner only can the citizens have the confidence in the state's planning and control, although cooperation based on expertness of the parties concerned can still be accepted.

In this connection what Arthur Lewis said is important: "Planning in backward countries imposes much bigger tasks on government than does planning in advanced countries", and Gunnar Myrdal added that the countries "should reject the influence of the "Laissez faire" theory and embark on a national economic development policy, based on large-scale planning."

In this manner we have entered the field of guided economy, where the government openly participates in economic development and takes the planning and control on itself so as to guarantee a proper coordination between individual and common interests in the future.

But this planning and control are also meant to regulate potential industries and allocate them in different sectors of the whole industry. And the last problem of this analysis is then how to have this regulation, and that is namely by establishing a body for the common interest and for the interest of the parties concerned, which at the utmost can facilitate state's planning and control on the development and maintenance of means of production in Indonesia.

Economic Crisis

Economic recession and depression during the period of real or quasi prosperity is not unusual. It is apparent that this situation occurs recurrently in some countries and the whole world and is called business cycles.

Without going too deeply into this we can say the following about economic crisis:

1. At the time of the crisis the problem of consumption is more important than in the period of prosperity, as Marshall said: "It is true that in the time of depression the disorganization of consumption is a contributory cause to the continuance of the disorganization of credit and of production; economics from beginning to end is the study of mutual adjustment of consumption and production (Marshall, Principles of Economics).

2. Economic crisis put a tremendous pressure on the relationship between the economic and the social world, which is already apparent in the original social relationship, but can be clearly seen in modern society with its conflicts of interests.

3. At the time of the crisis, there is danger that the struggle for life will increase conflicts between individual interests which may then injure common interests.

4. At the time of the crisis, the need is strongly felt for a powerful leadership, and even for government's interference in economy.

5. Economic crisis make economic planning and regulation more desirable for the benefit of the whole society. But it requires a good economic structure so that the balance between production and consumption can be improved.

"The fundamental cause (of the business cycle) is the inadequacy of demand" (Lerner, Economics of Control).

If production is readjusted economically and socially to income and consumption, and with self-correction, efficient action, accurate planning and regulation, and regulation law, then we will have the possibility of economic recovery.

The disequilibrium between supply and demand that brings about crises is often the result of non-economic causes.

In general it has domestic or foreign causes the like of which we now have in Indonesia.

In addition we also have in Indonesia dualistic social economic events, less of an acceptance of modern economic institutions, the inability of serving modern means of production efficiently, the increase in individual and social needs as a result of the modern way of life, etc., that really magnify the crisis. All these events are not known in foreign countries.

However, all these emphasize the desirability of regulation in the industrial sector, that in many cases help stabilizing the whole society.

The Regulation of the Industrial Sector

Before we come to the actual problem of this analysis it is better to summarize all that has been said so far in order to get a clear picture of the significance of regulation:

1. The present crisis requires regulation of available means of production; even though there is no crisis this regulation is also very necessary because of the complexity of modern society, and of special events created by particular circumstances which are not yet included in the general desirability of economic planning and regulation as a whole.

2. In fact, the difference between private and public

interests in the long run does not give a real picture, because the private and public interests are actually different aspects of the same goals, namely mutual interests in economic and social prosperity; but in practice it creates misunderstanding and conflict between private entrepreneur and government.

3. Interpretation of these concepts depends on the view of the government on social relationships, which view is then used as a base for making decisions on social economic policy.

4. A strong correlation between economic and social problems compels us to pay great attention to social factors at the time of economic regulation that directly or indirectly affect them.

5. Although industry in Indonesia is still at the beginning stage of development and cannot yet be considered as being able to fulfill the demands from some production sectors, so that there are also no well-established interest-groups, nevertheless the real and potential interests of the private entrepreneurs should be taken in due account, if the regulation does not tend very much towards the public interests, while on the contrary this situation gives the government more opportunity to prevent abuses.

For clarification it could be definitely said that regulation is very important for the industrial sector; in this connection it is necessary to have deliberation, between government and private entrepreneurs which is in complete agreement with the hope of both private and public interests; besides economic regulation, social regulation is also necessary.

Some of the problems of regulation lie in the concept of regulation itself, which means that social economic transaction is bound by rules and requirements and also by institutes that are in charge of the implementation of regulations.

If the solution is sought in contacts between individuals and institutions operating in the social and economic fields, in a specific relationship, as is the case with Indonesia, then what is actually meant is the organization of firms, which is usually a complex of different kinds of forms or organizations, each of them for a particular branch of business activities.

In Indonesia this development has not yet taken place as such, so that the organization has a legal authority of public law such as in some other countries (a governmental authority, deeds and rules that have legal authority in their own field of jurisdiction), so that for the time being

it must be limited to firm organization with the authority of private law, which can use comprehensive rules and sanctions in their own fields after mutual agreement and deliberation.

In order that private law's firms organization can develop well, it is necessary:

1. to attach social economic transactions to rules and sanctions that are obediently followed in practice.
2. The possibility of acceptance of rules and sanctions for its own field, namely its own branches or areas.
3. A general statement from the government that the parties concerned are not allowed to withdraw themselves and the organization as a whole can represent their interests.
4. Cooperation between private entrepreneurs and government is establishing the structure and leadership of these organization under government supervision by having its representatives in these organizations, on the one hand in order that the private interest is not dominating, and on the other, and this is more important, that public interests should have adequate appreciation.

Problems that show up can be summarized as follow:

1. Relationship of interests: If the organization is controlled by private enterprises, there is the danger of its becoming a large private interest group, and if it is controlled by government we will be afraid of its bureaucracy, unexpertness in handling practical problems, and government agencies will be heavily burdened resulting in many delays of executions.

2. Organization structure: Private enterprises prefer a body that take adequate care of their interest; government prefers a social institute that ensures the needs of society as a whole.

3. Classification of enterprises: Classification of enterprises into different branches must be accomplished in relation to the needs of the whole society.

4. Classification of interests: Besides economic organization there must also be social organization.

5. Rhythm of development: Because of the present crisis the speed of development must be great, but it should not be in such a hurry, because gradual growth gives more opportunities for improvements. In this situation, government's incentives for it is the Government that is usually impatient with the time needed by entrepreneurs to come upon a mutual agreement, are very necessary.

There is also urgently needed a contact body which coordinates existing organizations, and gradually develops itself into a top-organization.

6. The development of enterprises should pay special attention to new branches of production at the beginning of development, especially in the import-competing sectors.

7. Coordination with the needs: In developing enterprises it is usual to think only about horizontal organization (classification of enterprises into groups that have the same social function: industries, wholesale, retail trade).

But in order to correlate enterprises with endeavors to fulfill social needs through middle men, it is better to think about vertical organization (classification of enterprises based on the fulfillment of the same needs).

Decentralization

The classification into branches of enterprises implies the concept of decentralization of interests of each group of enterprises. It is more desirable if this decentralization could proceed into the sector of enterprises that have their own interest. Finally, consideration should also be given to the creation of regional sections that will take care of special events resulting from local circumstances. In this way mother-organization will not be many, while each interest group has the right to speak.

The Tasks of Enterprises Under Private Law

The basis for solution of the above-mentioned problems depends mostly on tasks that will be assigned to these institutions.

The question here is: what is the view of the government on the relationship between private and public interests, and to what extent according to this view the responsibility on rules for protection of public interests could be given to private enterprises, although it is still under government's supervision?

The real task is the implementation of certain rules that regulate socio-economic relationship in order to ensure the sufficiency of real needs of society, which mainly are as follow:

Economic tasks: The development and maintenance of industry in accordance with the Government's plan.
Development and improvement of structure of enterprises from within.
Requirements and rules for establishing new enterprises.

Organization of marketing and distribution.
Rules on markets and prices to prevent abuses
and wasteful competition that are harmful
for the society.

To promote imports and rules for capital
goods and raw materials.

Rules on finance and credits.

To promote and control exports.

Product and market research.

Extension services for enterprises, general
public and government.

Social tasks: Rules on salary and work conditions.

Law on work, and social law and regulation.

Regulation on employment opportunity and
unemployment.

Professional training and training for
government officials.

Regulations for enterprises.

Social security.

Social research for officials and population.

Extension service for enterprises, general
public and government.

Besides the regional conditions that determine the
tasks, there can also be added local conditions and timing
and where the establishment of enterprises must fulfill
specific requirements.

For the determination of tasks it is desirable to
form a special committee where the Government and represen-
tatives from existing organizations have seats.

The Government or an organization separately could
not be considered representative enough to determine the
tasks, because it concerns the public as well as private
interests.

Form of Executive Committee of Organizations Under Private
Law.

The aim is none else than to give freedom to this
organization of enterprises, so that it does not become only
an extension of government agencies.

On the other hand they may not act by themselves
because the private interest will then be dominating and
public interest will be hurt or it is also possible that
conflicts will threaten the implementation of socio-economic
policy of the Government in the organizations of enter-
prises, as its consequence, the task towards public inter-
est will remain limited, because it is very difficult to
entrust them to the entrepreneurs concerned.

Passive supervision from government with the right to approve or disapprove decisions as preventive action will slow down the progress of work.

There is also danger that administration by private entrepreneurs could be abused for the benefit of the administrator and detrimental for the whole group of enterprises.

On the other hand the Government may not participate in it, because this will nullify its objective view on interests.

The only practical solution that could be reached is if the Government appoints a person as chairman of the organization on its behalf (a Government official or a third neutral person).

In this situation, in order to maintain unity and efficient execution, it would be better if the chairman also become the head of the secretariat. In this way there is always opportunity for bringing forward any objection against a Government decision. Other members can be appointed by private enterprises, but they must be representing business sectors and regional sections.

Furthermore there must be the possibility of taking neutral advisers and to establish a special working committee.

In social organization it is necessary to consider the representation of labor, and if condition require, they should also be accepted as advisors in economic organizations.

Top-organization that later will control and stands above all business organizations should not be given separate tasks, because in that way it is necessary to place a contact person or body between government and the business organization that will prevent fluent contacts and rapid executions.

The tasks of the top-organization could be classified as follow:

1. Coordination of business organizations.
2. Control on implementation of government's regulation in accordance with existing social economic policy.
3. A high settlement institute for conflicts between business organizations.
4. It prepares comprehensive plans for coordinating and developing industry.
5. It receives tasks from government that are related to the whole industrial sectors and establishes working committees.
6. It occupies the function of a neutral adviser, on the one hand supporting government against private interests,

and on the other supporting private enterprises against public interests.

The structure of the executive committee of this top organization is not a problem. It should not pay much attention to private enterprises, because it does not have a very close relationship to private interests, but instead it is more concerned with watching the implementation of the Government's policy. It is then obvious, that at this high level there must be more Government representatives or experts appointed on behalf of the Government, so that a dualistic social economic policy may be prevented. Besides this, at this high level there should be seats for: executive experts from private industrial organizations, private experts and, if considered necessary, also representatives from labor and cooperatives and other organizations representing consumers, while from horizontal organizations there could also be accepted representatives from intermediary trades.

Chairmen from each business organization, or their deputies, must have seats in the top-organization, so that a direct contact with that institute can be maintained.

Besides this business organization, private industrial organization can still have large fields of operation. There are still many other interests outside the Government's social economic interests.

It acts as a council for exchange of views for enterprises of different branches of business, to discuss matters such as new initiatives; advice for the Government; contact with foreign organizations, etc. These remain important factors necessary for exact execution of the industrial setup. The tasks of the business organization and its structure will be very heavy and complicated, if these organizations do not exist. Its task is not under private law because it concentrates its attention solely on the interests of its members.

It is no less important, because this private interest in society is also real as long as it does not deteriorate into personal interests.

"BAPPIT" PREPARES CLASSIFICATION OF ENTERPRISES

TRANSFERRED TO GOVERNMENT

[The following is a full translation of an article in Warta Ekonomi, Djakarta, 5 March 1960, page 188.]

In the framework of nationalization of Dutch industrial enterprises, Mr. Sardju Ismunandar, President Director of the "Bappit" said, that Central "Bappit" will take the necessary steps as a follow-up of the nationalization of the above-mentioned enterprises, among others, by changing names and other matters that are still in the Dutch language or Dutch terminology; in a short time they must be replaced by the Indonesian language and Indonesian terminology.

With regard to salary, "Bappit" will not use the scale of the PGPN (a regulation on salary for government officials) - for its employees and workers at its enterprises, but will take its systematic pattern, which had been formulated by "BANAS" - as a basis for establishing regulation on salaries of the mentioned enterprises.

When the new salary regulation will be formulated and applied it was said that at the end of 1959 it will be completed and will be used immediately.

It is further added, that the use of the PGPN systematic pattern for the new salary regulation is intended to establish an uniformity and socialization of industrial enterprises.

This is done in order that there will be no great differentials in the income of employees and workers among different enterprises.

As a further step, "Bappit" will keep occupying the management of nationalized industrial enterprises until the Government issues new regulations for transferring them to other agencies.

In this case Central "Bappit" has been appointed by "BANAS" to take over and coordinate all those industrial enterprises that have been nationalized.

With the nationalization, the status of the enterprises mentioned is brought under public law.

For further implementation, Central "Bappit" has made a basis for classification of these enterprises, which of them will be transferred to Central Government, and which to Autonomous Province or to the Central Government and Pro-

vince. And "Bappit" has no intention of selling its enterprises to private citizens.

The basis for the classification mentioned could be outlined as follows:

I. Implementation by the Central Government

1. Have the kind of production that has a national character and satisfy the needs of the whole population. Have the kind of production that is vital in the economy (basic industry).
2. Which has a monopolistic character, and the only kind of production in the country.
3. It has a social economic strategic significance for other branches of production (spinning, etc.).
4. Heavy industry.

II. Implementation by Autonomous Province or Central Government and Province

1. The kind of production that has regional distribution.
2. Which has monopoly in its region.
3. The kind of production that become materials for other branches of industry so that it has influence on the process of other productions.
4. Middle industry.

Beside the above-mentioned items there are still some enterprises that are managed by the Government and Autonomous Province, and which have the character and form of accomplishing the welfare for employees and workers of the enterprises.

Finally Sardju Ismunandar said that in his effort to increase production and working efficiency it has been decided to establish production committees at each enterprise in which labor will also be represented.

Thus was the statement of the Press and Information Division of the Department of Basic Industry and Mining to the press.

TWO HUNDRED RICE CENTERS WILL BE OPENED THIS YEAR THROUGH-
OUT INDONESIA

The following is a full translation of an article in Warta Ekonomi, Djakarta, 20 February 1960, page 99.

Mr. Sumantri, the head of the Rice Center in Central Java disclosed in Solo that in its efforts to increase agricultural products, primarily food crops in wet rice fields, the Government has decided to increase the number of Rice Centers throughout Indonesia and to multiply the areas of its rice fields.

In Central Java, which at the beginning of the program had only 12 centers covering an area of 30,000 hectare in 1960 will have 40 centers with an area of 200,000 hectares stretching over 7 residencies. For this purpose Sumantri had contacted Inspectors and Heads of Local People's Agricultural Service in Central Java, where the new centers will be opened.

In this connection it was also disclosed that in this year 200 centers will be opened throughout Indonesia covering an area of 500,000 hectares, instead of 60 centers with an area of only 300,000 hectares as it was planned before. As it is known, this plan of Rice Centers is included in a framework of efforts to increase foods products, as had been proposed by the Food Council and prepared by the Agricultural Department. And the endeavor to increase food supplies is divided into a short run plan and a long run plan. The short run plan had been in operation since 1959, at a cost of 76.- million rupiahs, and it is still progressing up to the present time.

The long run plan consists of three kinds of efforts, namely: intensification; the opening of new fields in the ebb and tide areas, and the mechanization of rice planting on dry soils. What is called the real plan of the center is the long run one, and it is concerned only with the intensification of the planting based on a consideration that each hectare of the existing fields could increase its crops by 20% to 25%, by using better seeds, fertilizer and better care.

According to Sumantri, in some regions such efforts have already been done and the people there are beginning to realize what its benefits can be. But the handicap is

they do not have sufficient capital. The farmers are the poorest among the population and since they scarcely have any valuable assets to pledge, it is very difficult for them to obtain credit. And those who have money are not willing to invest their capital in food-producing fields because the profit is low.

Credit for Combatting "idjon" [the selling of unripened, unmatured rice]

Considering all the facts mentioned above, the intensification of the planting will be financed by the Government and given as credit to the farmers. By financing the farmers efforts to increase food production, Sumantri said, "Another goal which is also very important could be reached, namely combatting "idjon"."

The repayment of debts will be in rice, whose price will be determined on the due date, and which will be reasonable for the farmer. In this way besides these two goals that we are trying to reach, a third one namely securing rice for the Government, will also be reached.

It could also be added that in 1961 the Government will make efforts toward increasing the number of rice centers by 500 and enlarging its area by about 3 million hectares. If this plan could be carried out as anticipated and according to expectations, then next year the number of rice fields included in the plan will cover all the fields in Java that are suitable for rice planting and the expected area will be 3.5 million hectares.

If each hectare could yield to the Government 650 kilograms of rice, as it is expected, then the Government will have $3000,000 \times 0.65$ ton, or 1.95 million tons of rice; and the increase in other products will also be about the same, according to Sumantri.

In the case of the residency of Surakarta where there were no rice centers before, Sumantri said that he had reached agreements with the agencies concerned, primarily with the Head of People Agricultural Service in Surakarta, Mr. Suprpto, to open such centers in Sragen and Wonogiri.

In his round trip, Sumantri had also spoken to a conference of the People's Agricultural Service for all of Central Java, which took place in Solo not long ago.

INDONESIAN RAW MATERIALS DESPERATELY WANTED, BUT NOW
SLACKENING OF TRADE EXISTS BECAUSE OF UNANSWERED CORRESPONDENCE,
MAKING CONTRACTS TAKES A VERY LONG TIME

/The following is a full translation of an article written by Radjab Gani in Warta Ekonomi, Djakarta, 20 February 1960, page 98./

The following is the report of the two month European trip of Mr. Radjab Gani, Director of the "Radjab Lmt." during September and October 1959 as the representative of the Indonesian Commercial and Trade Council for studying the possibility of promoting exports to Europe.

In order to facilitate the understanding of the report I divide this report into three parts:

I. The attention of European merchants (in this case I give special emphasis to Yugoslavia and West Germany) for export commodities from Indonesia.

When I was in Yugoslavia I conducted several meetings with commercial agencies in Beograd such as Federal Chamber of Foreign Trade, Invest-Import Centroprom and Inter Export.

At all these meetings I was accompanied by Mr. Sudarmo Martonegoro, the head of the Commercial Department at the Indonesian Embassy in Yugoslavia.

In the seven meetings I had had with them it was clear to me that since before the Second World War they had known Indonesian produces through the Netherlands. They are very fond of coffee, tea, casia vera, damar /a rubber product/, ruten etc. Before the war they bought these products in large quantities through the Netherlands.

A great demand for Indonesian products was also found in West Germany. For example it was pointed out to me there that in the past there were no fewer than 10 to 15 shops in Hamburg displaying large advertisements in front of their shops that read "Special" for "Java" coffee, and also for other Indonesian products.

In an interview with five great importers in Hamburg, namely: 1. Carl Dickmann, 2. Grochian, 3. Van den Berge, 4. Moller, 5. Mayer, almost all of them gave the same explanation why they were very fond of Indonesian products. There were two main causes that made them very eager in the past to engage in the trade of the Indonesian products in the European markets, namely:

1. The quality of Indonesian products was better

than the products from other countries.

2. The settlement of commercial transactions for Indonesian products had been very easy in the past, so that if you wanted to buy a certain kind of quantity of the products it was sufficient to make a telephone call at your desk to the Netherlands, and within a few minutes you were able to close a contract, and its realization came out very satisfactorily. Delivery and quality was exactly as what had been agreed upon in the telephone call.

The same reasoning was also given to me by the commercial agencies in Beograd, Yugoslavia.

The next point I would like to take up is:

II. The causes of slackening in purchases of products from Indonesia.

In Yugoslavia the Centroprom explained to me that after the war, during a period of 10 years, from 1949 to the present, they were only able to have one coffee transaction amounting to 10 tons from Rijeka in Indonesia, and afterwards they tried to buy more but never succeeded. The Yugoindonezija firm also complained that several times they had sent letters to some Indonesian exporters, and lately also to the Big Eight, but they never received any answer. It is then natural that they do not have the desire anymore to buy Indonesian products, all the more so after they had begun to receive offers from other countries such as Thailand, Malaya, Ceylon, Karachi /Pakistan/ and also from Africa and America, whose products are also good enough to become substitutes for Indonesian commodities as far as the needs of Yugoslavia are concerned.

In Hamburg the reason for their reluctance to trade with Indonesia are different, namely it lies in the execution of the agreement and the absence of a guarantee that the trading in Indonesian products could be maintained for even though up to the present time they still receive some kinds of Indonesian products but still they cannot reliably expect to have regular shipments because sometimes they were only able to buy some products once a year.

Besides that, another matter that affects our trade relations very much are the difficulties and the long periods undergone to reach a contract agreement. An example that they brought forward was, that to have an agreement on price only sometimes it takes weeks; even months, while with other countries it takes only a couple of hours or at the longest only a couple of days.

For all these reasons up to the present time the German merchants are reluctant to introduce the names of Indonesian commodities to their consumers although the

commodities that they sell on the markets are really of Indonesian origin, but instead they use other names; as an example: they sell coffee Arabica from Java but they mix it with other coffee and put another name on it such as "mixing coffee". And that is why there is now only one shop that openly uses the name "Java coffee" in its window.

III. The possibility of returning to greater export trade activities from Indonesia to Europe.

While in Yugoslavia I explained why there were not many Indonesian exporters extending trade offers to Yugoslavia. I mentioned the disparity, the difficulties of which Western Europe has been able to overcome by raising the prices for Indonesian commodities although were not higher than the current retail prices. However they have to cover the cost by setting prices that are usually higher than prices of commodities from other countries.

Further I also explained about the rapidity of export transactions. If the price problem could be overcome and arranged in some way, I believe that all Indonesia exporters, including the Big Eight will do their utmost and unanswered correspondence will never occur again.

After listening to my explanations, they expressed their willingness and ability to raise their bids for Indonesian commodities, and so right there and then, they immediately put in an order for 300-400 tons of Arabica coffee with a price quotation that is higher than the quotation of the West European offers. At that time, it was on October 10, 1959, the Western quotation was only "DM" 510, and Yugoslavia offered "DM" 540. I passed their order to the head office of the New State Plantation Enterprise in Djakarta with copies to its branch in Surabaya, Central Office of Export, and Export Office in Surabaya.

An order for 150 to 200 tons of coffee "WIBI" with a price quotation "DM" 30.- higher than the quotation of Western Europe, had also been passed to the offices concerned.

But up till now, December 20, 1959, the order has not been filled and I am sure it is because their stock on hand is insufficient. But even just recently they had written to me that they are still always willing to pay higher prices for Indonesian products so that the disparity could be overcome.

In Germany I also explained about the recent development of trade activities between Indonesia and that country, such as the tobacco auction in Bremen, the sending of rather large quantities of coffee and its development, but still they did not see even in these developments the existence of smooth transactions such as they had encountered in trade with other countries. However they still keep hoping that

the time necessary to make a contract will not be too long in the future, and they also do not want to have paltry transactions but rather transactions of a perpetual and continuing nature.

Besides all these things in both countries I also discussed the possibilities of providing a way for Indonesian exporters to overcome liquidation difficulties, especially after the Indonesian monetary reorganization in August 1959.

They expressed their willingness to help in overcoming the above-mentioned difficulties such as by opening "red close" credit or forestall credit as long as the foreign exchange banks such as the Bank of Indonesia, the State Bank of Indonesia or others are willing to cooperate.

I have written this report and passed it to the Trade and Commercial Council, the Ministry of Commerce and to the Institute of Foreign Exchange. I sincerely hope that my report may be of some value to the promotion of exports from Indonesia to Europe.

(copied from Warta Niaga dan Perusahaan)

END